

## Executive Summary

The Annual Fiscal Year 2003 Budget incorporates the vision and priorities expressed by the Mayor and City Council. The Mayor's Ten Goals identified at the State of the City Address held on January 7, 2002 include:

1. Establish an ethics commission (established in Fiscal Year 2002).
2. Reduce traffic congestion.
3. Create neighborhoods we can be proud of.
4. Clean up our beaches and bays.
5. Restructure regional government/construct an airport.
6. Complete the ballpark.
7. Build a library system.
8. Make San Diego America's safest City.
9. Pursue energy independence.
10. Complete Multiple Species Conservation Program Open Space acquisitions.

In addition, the development of the Annual Fiscal Year 2003 Budget took into consideration the priorities of each Council Member. Additional input for the Annual Fiscal Year 2003 Budget was provided by the Mayor and City Council at the Budget Workshop held on February 25, 2002. Citizen input is provided through continuous departmental customer surveys and Community Budget Forums where the City Manager and Council Members discuss the budget with various community groups. Based on the variety of input received, the following priorities for Fiscal Year 2003 have been identified:

- Public Safety
- Neighborhood Services
- Protection and Enhancement of the Environment

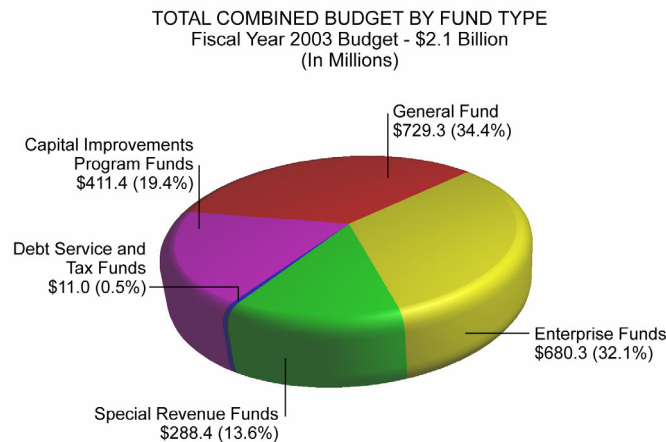


# Executive Summary

This budget reflects the current economic conditions throughout the region and the State. The uncertainty of economic recovery has contributed to reductions in some programs and the continuance of Fiscal Year 2002 service levels in other programs. Priorities were evaluated and where feasible, enhancements have been made. Limited revenue growth in Fiscal Year 2003 will continue to impact service levels and new programs.

Some departments will be able to continue to address infrastructure needs due to bond financing or rate adjustments. Other programs have identified efficiency savings to fund increased services or new programs. Overall, the balanced Annual Fiscal Year 2003 Budget is presented as an operational guide for the City of San Diego to continue to provide key City services.

The City's Total Combined Annual Budget is \$2.1 billion, including \$169.3 million in interfund transactions. The Annual Budget includes \$729.3 million for General Fund expenditures, \$680.3 million for Enterprise Fund operations, \$288.4 million for Special Revenue Funds, \$11.0 million for Debt Service and Tax Funds, and \$411.4 million for Capital Improvements Program expenditures.



The City's Total Combined Fiscal Year 2003 Annual Budget is funded primarily through four types of funds: The General Fund, Enterprise Funds, Special Revenue Funds, and Capital Improvement Funds. The breakdown among funds (including the change from the Annual Fiscal Year 2002 Budget) is as follows:

# Executive Summary

Major Expenditure Category	FY 2003 Budget	Change from FY 2002
General Fund	\$ 729,330,522	\$ 1,970,089
Enterprise Funds	\$ 680,314,271	\$ 16,187,685
Capital Improvement Funds	\$ 411,400,421	\$ (271,228,404) <sup>(1)</sup>
Special Revenue Funds	\$ 288,421,539	\$ (2,903,189)
Debt Service and Tax Funds	\$ 10,990,089	\$ (858,634)
<b>TOTAL</b>	<b>\$ 2,120,456,842<sup>(2)</sup></b>	<b>\$ (256,832,453)</b>

(1) The majority of this reduction is attributable to the Ballpark Project Financing which was budgeted in Fiscal Year 2002

(2) Includes \$169,317,997 of interfund transactions

## General Fund

General Fund monies are used to pay for core City services such as public safety, parks and recreation, refuse collection, street maintenance, and libraries. The revenues to pay for these services are comprised of tax dollars, such as Property Tax and Sales Tax, but also include fees from licenses and permits, fines, interest earnings on investments, and a variety of other sources. The Annual Fiscal Year 2003 Budget for the General Fund is \$729.3 million.

## Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. Examples of these funds include Water, Metropolitan Wastewater, Development Services, Refuse Disposal and Recycling. Typically these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Annual Fiscal Year 2003 Budget for Enterprise Funds is \$680.3 million.

## Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. Examples include TransNet, Gas Tax, and Transient Occupancy Tax Funds. The Annual Fiscal Year 2003 Budget for Special Revenue Funds is \$288.4 million.

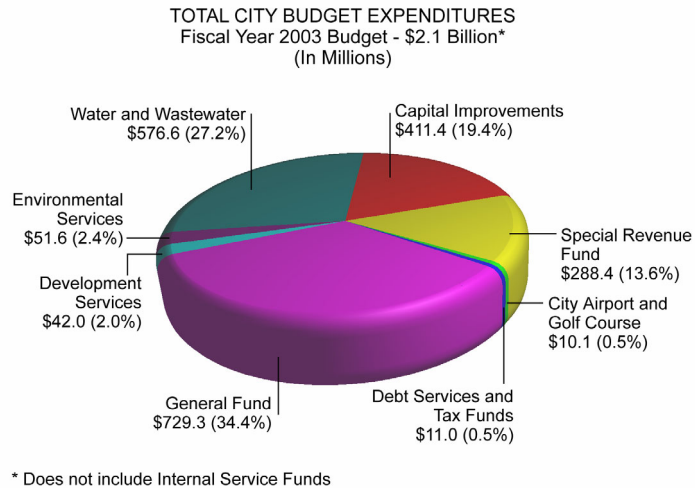
## Capital Improvement Funds

Capital Improvement Funds support construction projects such as the development of park land, the construction of a sewer pump plant, the installation of a traffic signal, or the construction or remodeling of a City facility. These monies are derived from sources such as water and sewer fees, a half-cent local Sales Tax for transportation improvements, developer impact fees, grant funds, and/or the issuance of bonds or commercial paper for very large projects. The Annual Fiscal Year 2003 Budget for Capital Improvement Funds is \$411.4 million. Additional information regarding the Capital Improvements Program is discussed in the City Funds section of this volume.

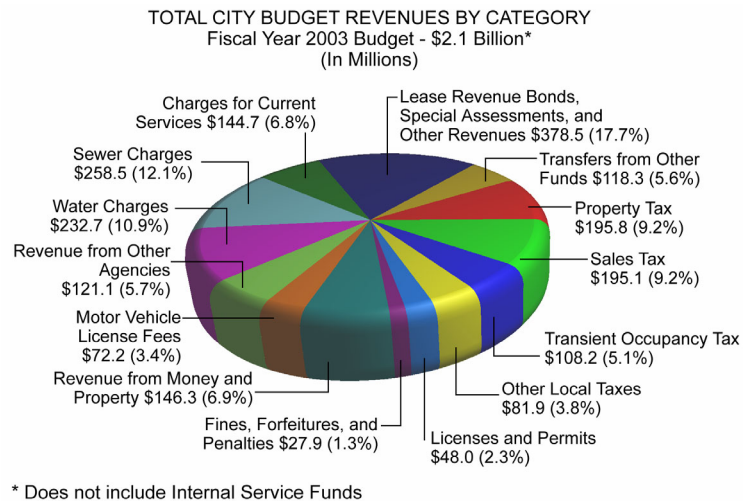
# Executive Summary

## Budget Summary

Total City Budget Expenditures in Fiscal Year 2003 are \$2,120,456,842, which include 11,235.79 positions. The following chart identifies the budget by major categories.



Despite current local economic conditions, revenue growth is anticipated for Fiscal Year 2003, though at a slower rate than in previous fiscal years. Additional information on revenue conditions and forecasts is provided in the General Fund Revenues and Financial Summary sections of this volume.

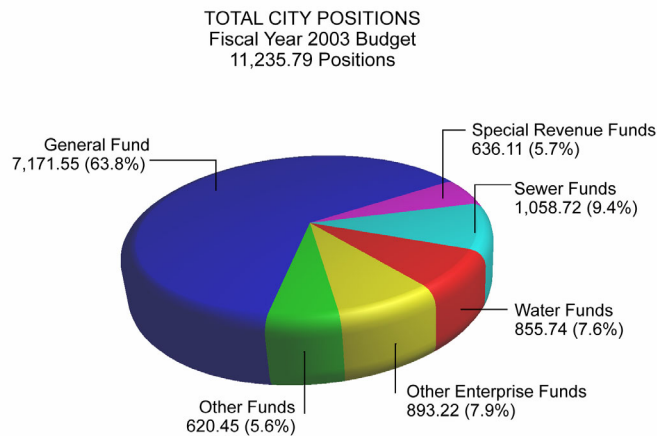


# Executive Summary

## Personnel Resources

The Annual Fiscal Year 2003 Budget includes a total of 11,235.79 positions. The General Fund is comprised of 7,171.55 positions. The number of positions budgeted in Special Revenue Fund departments is 636.11. Positions budgeted in Enterprise Funds equal 2,807.68, with 855.74 budgeted in the Water Department and 1,058.72 in the Metropolitan Wastewater Department. The remaining 620.45 positions are budgeted in other departments and programs. Specific detail on position adjustments is included in Budget Summary Schedule II in the Financial Summary section and in the respective department detail in Volumes II and III.

## Total City Position Changes



	FY 2002	FY 2003	Change
Total General Fund	7,094.54	7,171.55	77.01 <sup>(1)</sup>
Total Special Revenue Funds	626.87	636.11	9.24
Total Sewer Funds	974.72	1,058.72	84.00 <sup>(2)</sup>
Total Water Funds	851.74	855.74	4.00
Total Other Enterprise Funds	876.47	893.22	16.75
Total Internal Service Funds	505.31	549.81	44.50
Total Other Funds	70.47	70.64	0.17
<b>Total Budgeted Positions</b>	<b>11,000.12</b>	<b>11,235.79</b>	<b>235.67 <sup>(2)</sup></b>

(1) See General Fund Position Changes on page 10 for more detail.

(2) 67.00 of these positions were approved by the City Council midyear Fiscal Year 2002, which in effect results in a net change of 17.00 positions in Sewer Funds in Fiscal Year 2003.

# Executive Summary

## General Fund Revenues

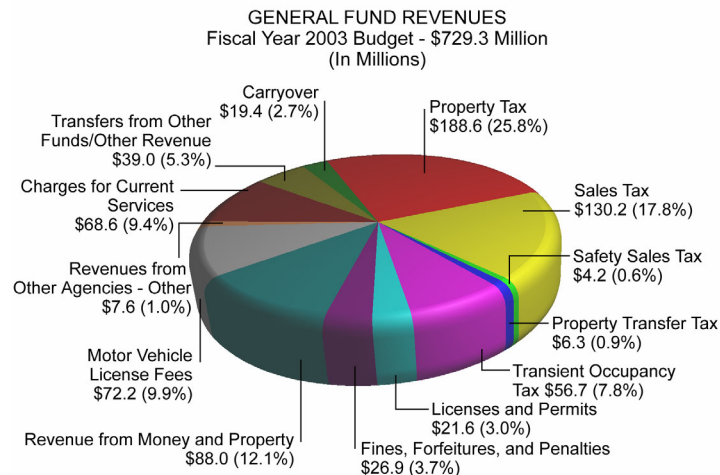
General Fund revenues are used to pay for many of the direct services that our citizens use everyday. For Fiscal Year 2003, General Fund revenues are estimated at \$729.3 million, which do not include State of California local government fiscal relief. The growth in these revenues depends primarily on the economy. When the economy expands, revenues are forecasted to increase. Alternatively, when the economy slows, revenues are expected to perform accordingly. Given this relationship, key economic indicators in San Diego County are helpful in formulating revenue estimates. Statewide and national economic trends may also impact revenue sources, along with policy decisions made at the state and federal levels; however, specific attention was primarily focused on local trends when forecasting revenue for Fiscal Year 2003.

The four General Fund major revenue sources, which are Property Tax, Sales Tax, Transient Occupancy Tax, and Motor Vehicle License Fees, comprise 61 percent of the total General Fund revenue. These revenues are discussed in detail in the Financial Summary General Fund Revenue section.

Provided below are the major revenue projected growth rates utilized in the preparation of the Fiscal Year 2002 Budget, the revised Fiscal Year 2002 year-end projection over Fiscal Year 2001 actual receipts as well as the estimated growth rates for the Fiscal Year 2003 Annual Budget.

### Major Revenues

Major Revenue Sources	FY 2002 Budget Growth Rate	Revised FY 2002 Growth Rate	FY 2003 Budget Growth Rate
Property Tax	7.4%	8.5%	9.0%
Sales Tax	5.0%	3.6%	4.0%
Transient Occupancy Tax	6.0%	-4.9%	6.0%
Motor Vehicle License Fees	5.0%	3.1%	4.0%





# Executive Summary

## General Fund Expenditures

The Annual Fiscal Year 2003 General Fund expenditure budget totals \$729,330,522 and includes 7,171.55 positions. This represents an increase of \$1,970,089 and an increase of 77.01 positions from Fiscal Year 2002.

### General Fund Expenditures by Program Area

**\$729.3 Million (In Millions)**  
**(For each \$1.00)**

**52.5¢** Public Safety (\$382.6)

**15.3¢** Operations Support (\$111.2)

**9.3¢** Parks and Recreation (\$68.1)

**6.4¢** Internal Support/Management (\$46.7)

**5.5¢** Sanitation and Health (\$40.1)

**5.0¢** Library (\$36.7)

**4.3¢** Neighborhood Services (\$31.5)

**1.7¢** Transportation (\$12.4)



### General Fund Changes by Program Area

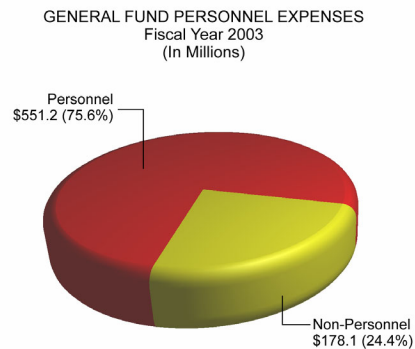
Program Area	Annual Fiscal Year 2003 Budget	Annual Fiscal Year 2002 Budget	Change from Fiscal Year 2002
Public Safety	\$382,585,564	\$379,210,941	\$3,374,623
Operations Support	111,228,996	107,582,988	3,646,008
Park and Recreation	68,082,120	63,667,045	4,415,075
Internal Support/ Management	46,720,551	43,033,736	3,686,815
Sanitation and Health	40,107,961	41,929,081	(1,821,120)
Library	36,650,651	32,758,024	3,892,627
Neighborhood Services	31,514,492	30,877,221	637,271
Transportation	12,440,187	28,301,397	(15,861,210) <sup>1</sup>
<b>TOTAL</b>	<b>\$729,330,522</b>	<b>\$727,360,433</b>	<b>\$1,970,089</b>

(1) In Fiscal Year 2003 the Street Division subsidy will be funded directly through a sales tax allocation rather than through the General Fund.

# Executive Summary

## General Fund Personnel Expenses

The Annual Fiscal Year 2003 General Fund Budget includes \$551.2 million for personnel expenses and \$178.1 million for non-personnel expenses. As the chart below reflects, personnel costs account for 75.6% of the General Fund Budget.



The Annual Fiscal Year 2003 General Fund Budget includes 77.01 additional positions. These positions are funded by a variety of sources consistent with the diverse functions they perform, and services they provide.

## General Fund Position Changes

General Fund - New	29.94
Reimbursable from Other Sources - New	47.30
Reallocation	(4.39)
New Facilities/Annualizations	38.36
Budgetary Savings Plan	(34.20)
<b>Total General Fund</b>	<b>77.01</b>

General Fund position changes in the Fiscal Year 2003 Annual Budget include various adjustments:

- New General Fund positions include staffing for new or mandated programs.
- Reimbursable positions are funded by Non-General Fund departments as well as grant funds.
- Reallocated positions are General Fund positions budgeted in Fiscal Year 2002, and then transferred to Non-General Fund budgets in Fiscal Year 2003 or exchanged for another position.
- Positions associated with New Facilities are a result of new facilities coming on-line in Fiscal Year 2003. Positions that are Annualizations are those positions associated with facilities that were partially funded in Fiscal Year 2002, and will be fully budgeted in Fiscal Year 2003. In Fiscal Year 2003, new facilities account for 24.19 positions and annualizations account for 14.17 positions.



- Budgetary Savings Plan position reductions are the results of departments reducing their Fiscal Year 2003 base budgets by approximately two percent.

## Significant General Fund Changes From the Fiscal Year 2002 Budget

### Labor Negotiations

The Annual Fiscal Year 2003 Budget reflects the City of San Diego's negotiated outcomes with all four of the collective bargaining units representing City workers. Staff re-estimated personnel appropriations required to fund Fiscal Year 2003. This revised estimate resulted in a decrease in requirements of \$3.5 million, due primarily to not reaching a labor agreement with the Police Officers' Association. Labor negotiations resulted in compensation and benefit increases of an average of 3.75% over the next three years. Salaries and Benefits account for approximately 75.6 percent of the total General Fund budget and 19.5 percent of the Non-General Funds in Fiscal Year 2003.

### New Facilities

\$3.3 million has been included in the Annual Fiscal Year 2003 Budget for new facilities and annualization of Fiscal Year 2002 facilities. Examples of costs for new facilities include staffing, utilities, and maintenance. General Fund departments with new facilities opening in Fiscal Year 2003 include:

Department	Number of Facilities
Park and Recreation	35
Library	1
Fire and Life Safety Services	1

### Non-Discretionary Expenses

Non-Discretionary Expenses include adjustments to such items as electricity, gas, water, sewer, insurance, and office leases after thorough analysis and forecasting by City departments. The total non-discretionary change in the General Fund budget is an increase of \$2.6 million.

### Budgetary Savings Plan

In order to present a balanced Annual Fiscal Year 2003 Budget, departments were directed to reduce their base budgets by approximately two percent, while minimizing the impact on important services provided by departments. A reduction of \$10.3 million is included in the General Fund budget.

### Additional Services

Additional Services reflects new programs or services and enhancements to existing programs and includes items such as: a sports turf maintenance team, security related building upgrades, additional police officers, employee fingerprinting services, deferred maintenance for libraries, and additional library materials and resources. The additional amount of \$9.4 million does not include Salary and Benefit Adjustments, new facilities, annualized facilities, non-discretionary expenses, and the budgetary savings plan. Specific information on these adjustments can be found in Volumes II and III, Department Detail of the Annual Fiscal Year 2003 Budget Document.

# Executive Summary

Department	Total Additional Services (In Millions)
Library	\$2.30
Police	\$1.30
City Attorney	\$0.90
Fire and Life Safety Services	\$0.40
General Services Facilities	\$0.30
Park and Recreation	\$2.20
Other Departments and Programs	\$2.00
<b>Total Additional Services</b>	<b>\$9.40</b>

The cost of additional services in Fiscal Year 2002 was approximately \$22.0 million and for Fiscal Year 2003 the amount for additional services is \$9.4 million, or a decrease of 57 percent. This decrease is a result of a lower General Fund revenue base and limited revenue growth projections.

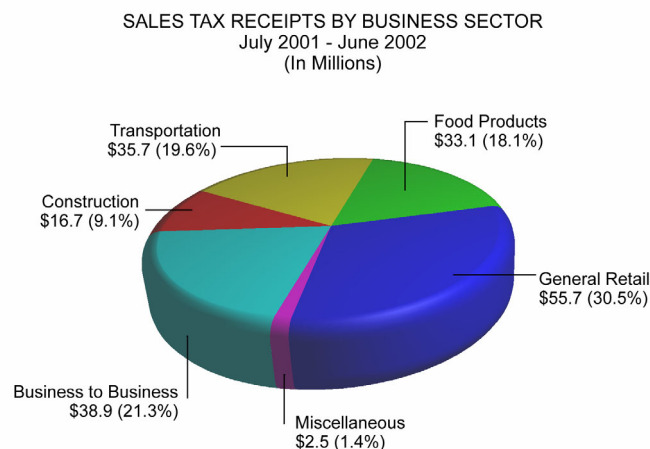
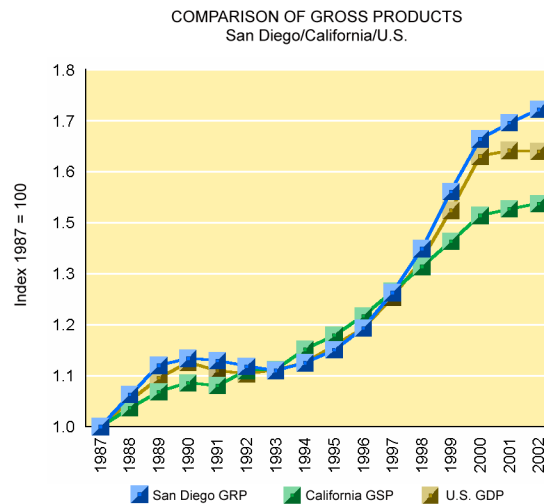
## Special Promotional Programs

The Transient Occupancy Tax (TOT) which supports the Special Promotional Programs has been negatively impacted by the economic recession and then further exacerbated by the tragic events of September 11, 2001. The TOT revenue budgeted for Fiscal Year 2003 is \$108.2 million which is approximately \$10.0 million less than the \$118.2 million budgeted in Fiscal Year 2002. Even with the reduced TOT Budget for Fiscal Year 2003, the organization funding allocations were not adjusted accordingly. The City is holding the TOT organization funding allocations to the Fiscal Year 2002 levels. In Fiscal Year 2002, allocations to organizations increased by 4.5 percent.

## San Diego Economic Outlook

The local economy has shown signs of vulnerability during Fiscal Year 2002 due to the national recession which was exacerbated by the events of September 11, 2001. However, according to the UCLA Anderson Forecast, San Diego's economy has remained relatively strong compared to those of other California cities and the nation and State overall, due in part to its diversified economic base. The Gross Regional Product (GRP) for the City is forecasted to reach \$126.7 billion in 2002, an inflation-adjusted increase of 1.8 percent, according to the San Diego Regional Chamber of Commerce.

# Executive Summary



## Key Economic Indicators

The following economic indicators for San Diego County were provided by the San Diego Regional Chamber of Commerce, Economic Research Bureau in the "Forecast 2002 Economic Bulletin" for calendar year 2002. These represent several of the indicators closely monitored by the City.

- **Employment:** San Diego's estimated unemployment rate was 3.1 percent for 2001 compared with an actual rate of 3.0 percent in 2000. The projected 2002 year-end unemployment rate is 3.5 percent.
- **Personal Income:** The 2002 projected per capita income is \$34,500, an increase of 3.4 percent from an estimated \$33,350 in 2001.
- **Retail:** Sales are forecasted to reach \$26.5 billion in 2002, an increase of 2.4 percent from an estimated \$25.8 billion in 2001.

# Executive Summary

- Housing prices: According to the San Diego Association of Realtors, the average price of a resold home increased by 20.9 percent to \$378,830 in August 2002.

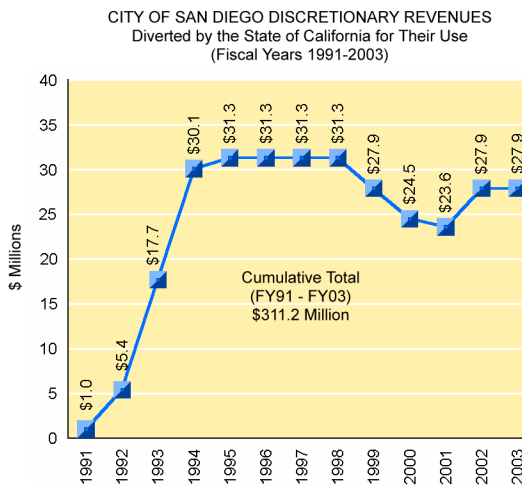
## Legislative Issues

After several years of economic prosperity, the State of California's economy, along with the national economy, entered into a recession. The events of September 11, 2001 weakened California's economy further. According to the State Legislative Analyst's Office, the State budget had a deficit of \$23.6, which was balanced through a variety of actions such as expenditure reductions, revenue accelerations, loans and transfers. It is also estimated that annual budget shortfalls will persist well beyond Fiscal Year 2003 without corrective actions. According to the State Legislative Analyst's Office, the short-term forecast projects that the State's budget will experience revenue deterioration. Revenues are not expected to return to Fiscal Year 2001 levels until Fiscal Year 2004.

Starting in the early 1990s, the State of California's efforts to eliminate budget gaps included shifting property taxes from local jurisdictions to schools, through the Educational Revenue Augmentation Fund (ERAF). California's property tax collection system is utilized as the main source of funding for schools and local governments.

The City's Governmental Relations Department continues to pursue legislation aimed at relieving the economic hardship created by the state mandated property tax shifts. ERAF has shifted hundreds of millions of dollars from local governments to the State's general fund. The City of San Diego continues to utilize all means available to either eliminate any further shifting of our revenues to the State or recoup monies taken by the State since the early 1990s.

As the accompanying chart demonstrates, the State will have diverted approximately \$311.2 million away from the City of San Diego from Fiscal Years 1991 through 2003.



# Executive Summary

Several new measures were introduced in the 2001 California legislative session in an attempt to return property tax monies shifted through ERAF back to local governments. One such measure was AB1865 (Canciamilla), which proposed phasing in a cap on the Property Tax shifts from cities, counties, and special districts to the ERAF in each county, contingent upon the condition of the State general fund. Another measure was AB 2100 (Simitian), which proposed to cap the property tax shifts from cities, counties, and special districts to the ERAF in each county over a multi-year period. The passage of both bills failed. As a result, the City will continue to work with appropriate authorities to explore other legislative assistance to maintain current revenues and recover those lost to the State over the past decade.

## City Reserves

The City maintains several reserves for its operations. These include reserves for the General Fund, Debt Service and Tax Funds, Special Revenue Funds, Enterprise Funds, Capital Improvements Funds, and Internal Service Funds that can only be used for their intended purpose. Further detail can be found in Schedule V, “Summary of Revenues, Expenditures and Fund Balances”, and some of the more significant Non-General Fund reserves are described later. Reserves used to support General Fund operations include the Allocated Reserve and the Unappropriated Reserve.

The Allocated Reserve is used to carry forward current year funds for projects that could not be completed prior to the end of the fiscal year. As part of the Fourth Quarter Budget Adjustment, the Mayor and City Council are asked to authorize the City Auditor and Comptroller to carry forward funds for specific projects.

The Unappropriated Reserve was established to fund major General Fund emergencies and to assist in maintaining a favorable bond rating. Specific expenditures are not budgeted within this reserve. Of the \$21.4 million in unbudgeted reserve for Fiscal Year 2003, \$16.7 million is undesignated and \$4.7 may be designated for the library system. No specific legal guidance or policy restrictions are placed on the use of these funds. However, Mayor and City Council authorization is necessary to expend these funds.

In February of 2002, the Blue Ribbon Committee Report on City of San Diego Finances included a recommendation to bring the General Reserves to a level that represents 7 to 10 percent of General Fund revenues. Pursuant to that recommendation, the City of San Diego is pursuing a course of action that will ultimately bring the General Fund Reserve to 5 percent of General Fund revenues, as well as bring the General Reserves to 7 percent of General Fund revenues. These two reserve levels are currently at 2.9 percent and 5.3 percent, respectively.

While the Public Liability Claims Fund is not a reserve, it is sometimes mischaracterized as such. It funds a program from which claims are paid arising from real or alleged acts on the part of the City, including but not limited to, such claims as bodily injury, property damage, inverse condemnation, and errors and omissions. The Annual Fiscal Year 2003 Budget reflects the appropriation of \$5.9 million for the General Fund’s contribution to pay claims awarded during the year. The Enterprise Funds also contribute to the Public Liability Claims Fund.

# Executive Summary

## Recognition of City Achievements

The City of San Diego is recognized for its excellence in a variety of areas. A number of the City's achievements are highlighted below:



San Diego received the number one ranking for 2002 in the Forbes/Milken Institute study of the Best Places for Business and Careers in the nation, detailed in the May 27, 2002 edition of Forbes Magazine. According to Forbes, San Diego “has the most diversified high-tech economy in the United States,” making it home to a broad range of technology companies including QUALCOMM, Sempra Energy and IDEC Pharmaceuticals. Forbes reported that San Diego’s rise from the number eight ranking last year to number one was because of its “mix of strong companies within a broad technology base.” According to Forbes, the companies further benefit from “a vast talent pool to choose from, including 200,000 students from nearby colleges and universities.” Characterized as “Technology’s Perfect Climate,” the region has a diverse, high-tech economy with the third largest concentration of biotech firms in the U.S., the fourth largest concentration of communications firms, plus major concentrations of software, Internet, information technology, and electronic manufacturing firms. San Diego also benefits from its educated workforce, its gateway to international trade at the US/Mexico border, and its unrivaled quality of life, combining its climate and open spaces with high quality culture, arts, and entertainment. Furthermore, the City of San Diego is known for its commitment to help businesses prosper.

In May 2002 Fitch Ratings, one of the three major credit rating agencies, raised its ratings on the City’s general obligation bonds to “AAA,” its highest rating. San Diego is now the only large city in California that has an “AAA” general obligation bond rating from Fitch. Moody’s Investors Service has also confirmed its ratings on the City’s general obligation bonds at Aa1 and Standard & Poor’s confirmed an AA rating. Both of these ratings are also among the highest of large California cities. Fitch said the rating upgrades result from the City’s continued job growth and low unemployment rates, sound financial operations, and low debt burden. Standard & Poor’s also identified the City’s diversified economy, strong financial management, and moderate debt levels as factors supporting its ratings.

Also in May 2002, the City’s 2002-03 Tax Anticipation Notes received the highest short-term ratings from all three agencies that rate the City’s credit. The City issues the short-term tax anticipation notes annually to fund seasonal cash flow deficits secured by a pledge of unrestricted Fiscal Year 2003 operating revenues. Fitch Ratings gave the City an F1+, Moody’s Investors Service rated the City MIG1, and Standard & Poor’s provided San Diego with a SP1+ rating. The three agencies based their ratings on the strong coverage provided by the projected pledged revenues, the City’s history of conservative cash flow projections, and the City’s strong credit quality, as reflected in its high general obligation bond rating.

San Diego was recognized as the most efficiently run large city in California by the Reason Public Policy Institute in February 2002. The institute made the finding based on its California Competitive Cities Report that evaluates how efficiently the state’s 10 largest cities delivered services in 10 categories (building maintenance, emergency



## Executive Summary

medical services, fire protection, fleet management, libraries, parks and recreation, police services, solid waste services, street repair, and water services) from 1993 through 1999. The report noted that “San Diego’s library, solid-waste, and building departments were consistently some of the most efficient examined,” and that “San Diego ranked #1 four of the seven years examined, and twice ranked #2.”

The City was named one of the “Best Companies to Work for in San Diego” in 2001 at a December 2001 award ceremony presented by the *San Diego Business Journal* and the San Diego Workforce Partnership. In 2001, the City had an employee retention rate of nearly 97 percent. This can be attributed, in part, to several City programs that emphasize interpersonal communication, employee empowerment and satisfaction, a competitive benefits package, a variety of training programs, and rewards and recognition for exemplary work.

The City of San Diego was rated “Well-Prepared” to respond to potential disasters and terrorist attacks by a CNN survey of 30 U.S. cities with a population of 350,000 plus and at least 1,100 police officers. The rankings were based on an analysis of responses to 10 questions by a panel of six law enforcement, security/terrorism, and emergency management experts in four categories: transportation, hospital/medical, federal preparedness (evaluating funding), and emergency management.

In February 2002, the Government Finance Officers Association of the United States and Canada awarded the City of San Diego a *Certificate of Recognition for Budget Preparation*. The certificate is presented by the association to those organizational sections that have been instrumental in their government unit achieving a Distinguished Budget Presentation Award. The Distinguished Budget Presentation Award is the highest award in government budgeting.



Also in February 2002, the California Society of Municipal Finance Officers presented the City of San Diego its *Excellence in Operational Budgeting*, *Excellence in Capital Budgeting*, *Excellence in Public Communication Budgeting*, and *Merit in Innovative Budgeting* awards for the Fiscal Year 2002 Annual Budget. The certificates recognize meritorious achievements as reflected in a “highly professional budget document and the underlying budgeting process through which the budget is implemented.”

The City of San Diego’s website has been selected as one of the top municipal websites in the country for the fourth time in five years. The honor came from MuniNet Guide and Review, an organization that provides a searchable online database of municipal and related websites with more than 7,000 listings. The reviewers liked “the City’s use of its web site to increase accountability” and the ability “to locate specific content within the site.” The site also received the highest ranking of the nation’s 70 largest metropolitan areas by Brown University’s Taubman Center for Public Policy, and was noted as best website in the category of major metropolitan cities by Santa Monica-based Civic Resource Group. The study evaluated the official websites of the 224 cities in the United States with a population of more than 100,000. More than 70 different variables were measured, ranging from information delivery and technology to electronic policies and online services. The City’s website can be found at [www.sandiego.gov](http://www.sandiego.gov).

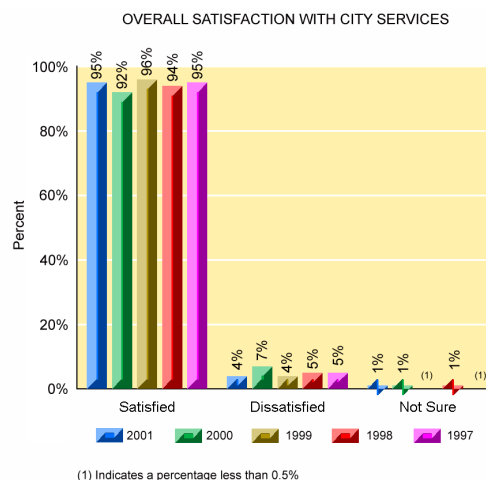
# Executive Summary

San Diego was selected as one of the top 12 vacation spots in North America to spend a summer holiday by [www.money.com](http://www.money.com). A team of reporters spent several weeks working with travel experts and well traveled civilians to reach their conclusions. They looked for places that would be worth spending a week or two, including side trips; offered a wide variety of attractions; and places that are great values. San Diego was noted for its “miles of beautiful (and natural) beaches.”

For the second year in a row, *City Access* was recognized for Overall Excellence in Government Programming at the National Government Programming Awards sponsored by the National Association of Telecommunications Officers and Advisors. *City Access* is the City’s cable access television channel that televises live City Council meetings, original news and documentary shows, public service announcements and other programming.

## City of San Diego 2001 Resident Satisfaction Survey

In the seventh annual Citywide resident satisfaction study, the City of San Diego continues to receive high marks from residents with more than nine out of ten residents (95 percent) indicating they are satisfied with the services the City provides.



In March 2002, City Manager Michael T. Uberuaga recognized City of San Diego departments and programs that were highly rated in the City’s 2001 Resident Satisfaction Survey. For the second year in a row, the highest-rated City service was residential trash collection with a 96 percent satisfaction rating. Other services receiving a 90 percent or higher rating included library services (95 percent), City-provided home recycling service (94 percent), fire emergency response (94 percent), quality of parks and recreation facilities (93 percent), the City’s web site (92 percent), overall quality of police services (92 percent), and police concern for public safety (90 percent). Citizens rated clarity of water/sewer bills as the most-improved City service, up 17 percentage points from the City’s 2000 Resident Satisfaction Survey.

## Principles of Budgeting and Finance

Development of the Fiscal Year 2003 Annual Budget presented many challenges. The following principles, which were endorsed by the Rules, Finance and Intergovernmental Relations Committee four years ago and more recently endorsed in concept by the Blue Ribbon Committee on City Finances, were considered in the budget development process. These principles are being implemented incrementally. These principles will continue to be phased in throughout the administration of the Annual Fiscal Year 2003 Budget and are scheduled to be reviewed by the City Council in December 2002.

1. Ongoing expenditures should be supported by ongoing revenues. Accordingly, onetime revenues should not be used for ongoing expenditures on a continuous basis.
2. General Fund reserves should be maintained at approximately three percent.
3. When capital projects are considered, all associated costs should be identified in order to properly assess future financial impacts.
4. Each enterprise fund should reflect the true cost of operation, including direct and indirect costs of services provided by the General Fund.
5. Activities that are supported by user fees should be fully cost recoverable.
6. Discretionary General Fund revenues should not be earmarked, thereby allowing maximum flexibility in funding decisions on an annual basis.
7. Budget development should be guided by a long term, or strategic budget plan proposed by the City Manager and adopted by the City Council.
8. Once adopted, annual budgets should be amended only when urgency requires, and then by identifying specific funding sources for these new priorities.

## Conclusion

The Annual Fiscal Year 2003 Budget represents a balanced budget totaling \$2,120,456,842, including 11,235.79 positions and a Capital Improvements Program (CIP) Annual Budget total of \$411,400,421. Despite the downturn in the economy in Fiscal Year 2002 combined with an uncertain economic recovery, the Annual Fiscal Year 2003 Budget reflects efforts to maintain service levels in certain areas and minimize the impact of reductions where possible.

Approval of the annual 2002-2003 State budget has revealed funding levels to the City consistent with the estimates projected in the proposed budget. Notwithstanding an approximately \$2.93 million reduction in library funding, technology grants for local law enforcement and redevelopment agency contributions to the Educational Revenue Augmentation Fund, the City does not anticipate service level impacts as a consequence.

Increased costs and service requirements further contributed to the challenge of developing a balanced Annual Fiscal Year 2003 Budget. While economic forecasts indicate the City of San Diego will experience some recovery from the recent economic recession, all efforts will be made to closely monitor all economic indicators and appropriately plan and make adjustments as necessary for optimal operations and service levels. The City will continue to apply fiscal policies and practices to balance and manage the City's limited fiscal resources while supporting ongoing efforts and programs to strengthen public safety, emphasize neighborhood services, and protect the environment.

